

Reform of Rate-of-Return USF Should Stay True to the Statute

On Behalf of the Nebraska Rural Independent Companies

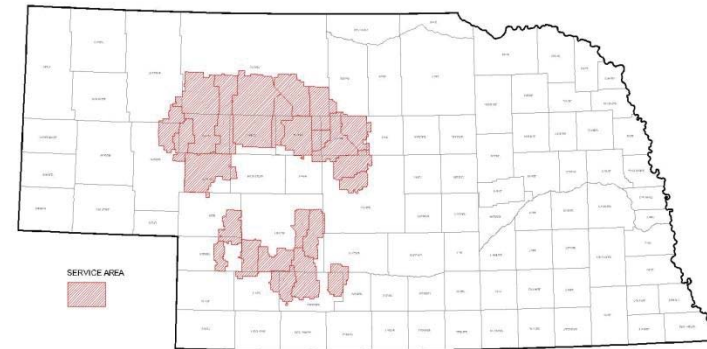
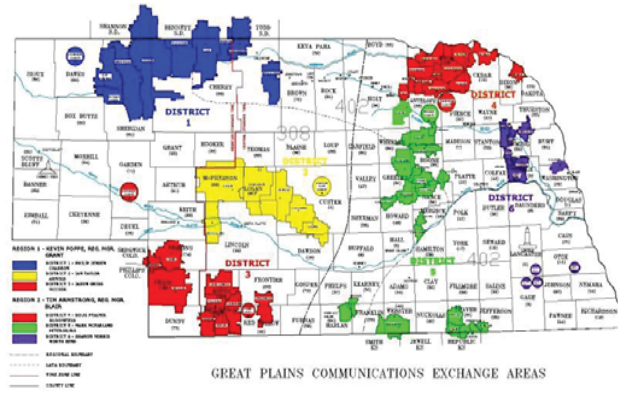
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We Serve Extremely Rural Areas



Statistic	Great Plains	Consolidated
Service Area Size	14,000 square miles	9,000 square miles
Customer Density	1.6 customers per square mile	0.75 customers per square mile
Transport Distance	1,700 miles	550 miles
4/1 M Availability	70%	87%
Broadband at Any Speed	75% –80%	97%

Per capita income is 79% of the National average

Broadband Is Critical to Nebraska and the Nation as a Whole

U.S. Rank	Item Produced	% of U.S. Total
1	Red Meat	14.6
1	Great Northern Beans	84.5
3	Corn for Grain	11.8
3	Dry Beans	10.0
3	Feed Crops	10.0
4	Soybeans	8.0

- ▶ Broadband is extremely important due the vast distances and low population density
 - Supports small business, agriculture, ranching, education and health care
- ▶ 40.7% of Nebraska's total output is based on agriculture*
- ▶ The rest of the country depends on Nebraska for agricultural products

Source: 2010 State Ranking, National Agricultural Statistics Service, USDA

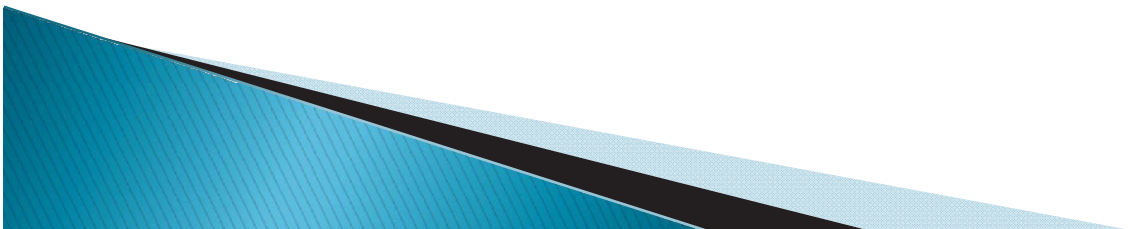
*Thompson, Eric, Bruce Johnson and Anil Giri. The 2010 Economic Impact of the Nebraska Agricultural Production Complex, Department of Economics, Report 192 (June)

We Have Been Good Stewards of USF and Embrace Accountability

- ▶ Deployed broadband gradually, as cash flow and economics allowed
- ▶ Limited debt
- ▶ Provide good customer service
- ▶ Charge local rates above the national average and have for many years
- ▶ Spend below the HCL OpEx and CapEx QRA constraints formerly in place
- ▶ Have earnings and OpEx constrained under state USF rules
- ▶ Provide vast majority of our customers with access to broadband services

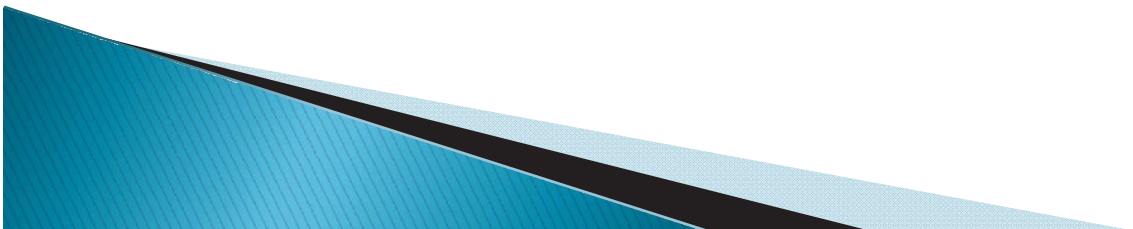
The Law Should Be the Backbone of Future Reforms... Thus

- ▶ Rural and high cost areas must have access to comparable quality services at comparable rates
- ▶ ALL customers should have access to advanced telecommunications and information services
- ▶ Support should not only be specific and predictable but also sufficient
- ▶ Universal Service funding – voice and broadband – is a joint federal and state responsibility and should advance the Federal/State partnership in this regard



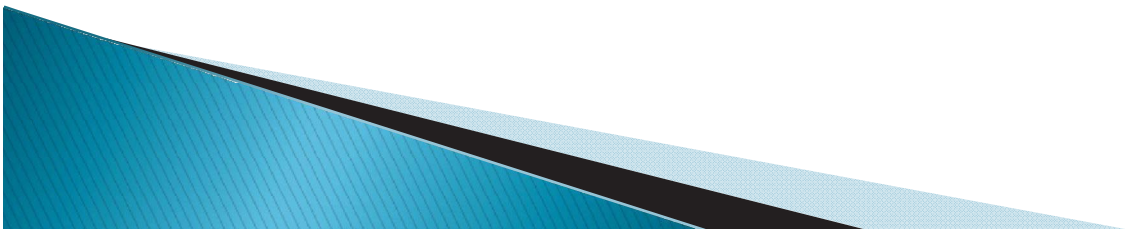
Current RoR USF Does not Necessarily Support Reasonable Investment in Low Density Areas

- ▶ Although the current mechanisms generally allocate support consistent with cost drivers, significant funding is provided to outliers unnecessarily
- ▶ Companies that serve densely populated areas receive substantial support
- ▶ Many companies that serve sparsely populated areas receive little or no support



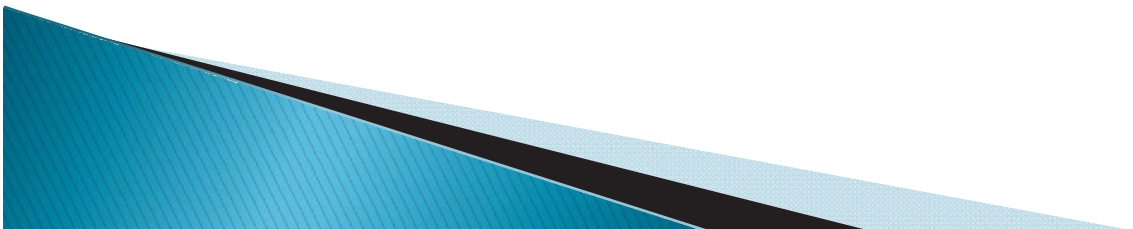
Comprehensive Reform is Needed to *Fairly* Allocate the Current RoR Budget and Advance Broadband

- ▶ The current RoR mechanisms no longer fairly or properly distribute USF
- ▶ Support should be targeted to the highest-cost areas to serve
 - Density and distance drive costs
 - Out-of-town areas where competitors generally don't serve
- ▶ The “race to the top” needs to be addressed
- ▶ Policies should ensure reasonable investment, but disallow “over-recovery”
- ▶ A reasonable transition needs to be put in place
- ▶ Avoid solutions that perpetuate the status quo or cause a company's support to “whipsaw”



The Current Limited Federal Budget Highlights the Need for An Ongoing State Role

- ▶ The Law requires a state role in supporting universal service, and the insufficient federal budget makes this especially necessary
- ▶ States continue to have a stake in providing broadband access to their consumers
- ▶ FCC should ensure that states continue to have a viable contribution base in any contribution reform initiatives



Conclusions

- ▶ We encourage you to visit our companies to understand our challenges, to get to know our customers and to see what has been accomplished with federal and state USF
- ▶ Comprehensive reform is needed to fairly allocate the current constrained federal budget
- ▶ States must be part of the solution
- ▶ The Commission must move forward with contributions reform and should preserve a role for state funds

